United States Senate

January 22, 2004

Dear Colleague:

We write to advise you of continued and exceptionally strong Congressional support for the Continued Dumping and Subsidy Offset Act (CDSOA), a U.S. law that was enacted several years ago to enable American companies and their workers to receive funds from duties collected on unfairly traded foreign imports. While certain of our trading partners have requested WTO authority to retaliate against the United States because of this dispute, the United States will continue to defend the law before the WTO. The Congress has directed the Administration to resolve this issue in international negotiations that will result in a constructive resolution of this matter.

Last year, the World Trade Organization (WTO) issued a ruling that claimed the CDSOA violated international law. The decision is one in a line of cases that raises serious concerns about the WTO Appellate Body's having created obligations that were never agreed to by the United States or other WTO Members. Indeed, the Bush Administration expressed strong concerns about the decision when it was issued. The WTO's ruling caused 70 United States Senators to send a letter to President Bush urging him, in trade negotiations, to seek express recognition of the existing right of WTO Members to distribute monies collected from legitimate trade cases consistent with every nation's sovereign right.

To this end, the U.S. Congress included in its Fiscal Year 2004 omnibus appropriations bill, H.R. 2673, a provision that directs the Bush Administration to immediately initiate WTO negotiations to recognize the ability of WTO Members to distribute monies collected from antidumping and countervailing duties, and to provide regular reports on such negotiations to the Senate Appropriations Committee every 60 days. This Congressional mandate permits the United States to move toward bringing itself into conformance with WTO obligations by obtaining a clarification of the WTO rules themselves. Other countries (including some of the complainants in this matter) are similarly seeking to negotiate changes to WTO Agreements as their means of bringing themselves into compliance in other cases.

Some nations that oppose CDSOA are now threatening to retaliate if the United States does not change its law. However, to obtain relief, these countries must show that they have suffered negative trade effects as a result of CDSOA. Because it is not clear that these countries could prove any negative effects, if retaliation is authorized, the sum will likely be minimal and probably non-existent. No complaining WTO Member appealed
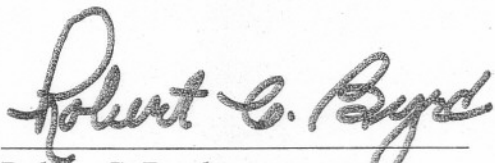
the lower panel's decision that CDSOA is *not* an unfair subsidy, and the WTO Appellate Body, in its own ruling, held that CDSOA does *not* result in the filing of an increased number of trade cases. Indeed, since CDSOA was enacted, the number of trade cases filed against other nations in the United States has declined significantly.
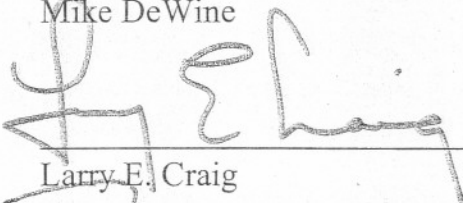
Job losses in the U.S. manufacturing sector continue unabated as do problems for our farmers, accompanied by a record U.S. trade deficit. The trade deficit is exacerbated by surges of unfairly traded imports. The United States should stay the course identified by the Congress in seeking a restoration of rights through negotiations and not reward overreaching by the WTO Appellate Body or unsubstantiated requests for retaliation from exactly those nations whose egregious unfair trade practices led Congress to enact CDSOA in the first place.
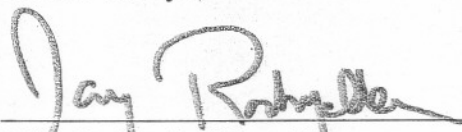
We hope that you will join us in expressing strong support for CDSOA by encouraging President Bush to pursue vigorous trade talks in the Doha Round of international trade negotiations that can resolve this matter simply, constructively, and in a way that protects the vital interests of America's most efficient producers in both manufacturing and agriculture and their hard-working employees.

Sincerely,

Mike DeWine

Larry E. Craig

Rick Santorum

Arlen Specter

Robert C. Byrd

John D. Rockefeller, IV

Tom Daschle

Blanche L. Lincoln